

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re :
:
AMBAC FINANCIAL GROUP, INC. :
:
Debtor. :
:
:
-----x

**REPORTING NOTICE REQUIRING SUBSTANTIAL CLAIMHOLDERS
TO SERVE A SUBSTANTIAL CLAIMHOLDER NOTICE PURSUANT TO
THE COURT'S ORDER ESTABLISHING NOTIFICATION PROCEDURES
AND APPROVING RESTRICTIONS ON CERTAIN TRANSFERS OF
EQUITY INTERESTS IN AND CLAIMS AGAINST THE DEBTOR**

TO: ALL ENTITIES THAT BENEFICIALLY OWN AN AGGREGATE AMOUNT OF CLAIMS AGAINST AMBAC FINANCIAL GROUP, INC. THAT EQUALS OR EXCEEDS \$55,000,000

PLEASE TAKE NOTICE that on November 30, 2010, the United States Bankruptcy Court for the Southern District of New York (the “Court”) entered a final order [Docket No. 40] (the “Transfer Order”) establishing notification procedures and approving restrictions on certain transfers of Equity Interests in and Claims against Ambac Financial Group, Inc. (the “Debtor”).¹

PLEASE TAKE FURTHER NOTICE that the Transfer Order imposes certain procedures and restrictions on the transfer of Claims against the Debtor, such that any Entity holding Claims against the Debtor in an amount that equals or exceeds the Threshold Amount (as defined below) could, in certain circumstances, be required to sell a portion of its Claims pursuant to a Sell Down Order.

PLEASE TAKE FURTHER NOTICE that on July 6, 2011, the Debtor filed a 382(l)(5) Plan with the Court [Docket No. 384] and that the Transfer Order provides that in order to assess the feasibility of implementing a 382(l)(5) Plan and the need for petitioning the Court for a Sell Down Order, the Debtor may file this Reporting Notice with the Court.

PLEASE TAKE FURTHER NOTICE that pursuant to the Transfer Order, within twenty business days of the Debtor’s filing of this Reporting Notice, each Substantial Claimholder is required to serve upon the Debtor and its counsel, by overnight mail, a Substantial Claimholder Notice in the form attached hereto as Exhibit A.

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Transfer Order.

PLEASE TAKE FURTHER NOTICE that pursuant to the Transfer Order, “Substantial Claimholder” is defined as “an Entity that has Beneficial Ownership of an aggregate amount of Claims, measured where applicable by principal and accrued interest as of the Commencement Date, that equals or exceeds the Threshold Amount” and “Threshold Amount” is currently defined as \$55,000,000.

PLEASE TAKE FURTHER NOTICE that copies of the Transfer Order and any other documents filed in the Debtor’s chapter 11 case can be obtained by visiting the Debtor’s restructuring website, <http://www.kccllc.net/ambac>, or by calling Kurtzman Carson Consultants LLC, the Debtor’s claims and noticing agent, at (877) 660-6619. Copies of these documents may also be obtained at the Court’s website, <http://www.nysb.uscourts.gov> (a PACER login and password, which can be obtained at <http://www.pacer.psc.uscourts.gov>, are required to access documents on the Court’s website).

PLEASE TAKE FURTHER NOTICE that any Entity that is uncertain whether or not it is considered a Substantial Claimholder may serve a Substantial Claimholder Notice in the manner described above in order to preserve its rights under the Transfer Order.

PLEASE TAKE FURTHER NOTICE that any Entity that serves a Substantial Claimholder Notice in the manner described above shall not be required to file its Substantial Claimholder Notice with the Court. The Debtor and its counsel shall keep all information set forth in Substantial Claimholder Notices delivered pursuant to the Transfer Order and this Reporting Notice strictly confidential, except to the extent set forth in the Transfer Order.

Dated: July 21, 2011
New York, New York

Respectfully Submitted,

/s/ Allison H. Weiss
Peter A. Ivanick
Allison H. Weiss
DEWEY & LEBOEUF LLP
1301 Avenue of the Americas
New York, New York 10019
Tel: (212) 259-8000
Fax: (212) 259-6333

- and -

Todd L. Padnos (admitted *pro hac vice*)
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Attorneys for the Debtor and Debtor in Possession

EXHIBIT A
(Substantial Claimholder Notice)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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:
In re :
: Chapter 11
AMBAC FINANCIAL GROUP, INC., :
: Case No. 10-15973 (SCC)
Debtor. :
:
-----x

SUBSTANTIAL CLAIMHOLDER NOTICE

PLEASE TAKE NOTICE that [Name] has Beneficial Ownership¹ of an aggregate amount of Claims that equals or exceeds the Threshold Amount, measured, where appropriate, by principal and accrued interest as of the Commencement Date. As of _____, 2011, [Name] has Beneficial Ownership of the following Claims:

Description / CUSIP Number of Claim	Amount of Claim	Legal or Record Owner

PLEASE TAKE FURTHER NOTICE that the following table sets forth a summary of the Protected Amount for each class of Claim listed above, and that [Name] will provide any additional information in respect of its Claims that the Debtor reasonably requests.

Description / CUSIP Number of Claim	Protected Amount

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to them in that certain *Final Order Pursuant to Sections 105(a), 362, and 541 of the Bankruptcy Code Establishing Procedures for Certain Transfers of Equity Interests in and Claims Against the Debtor*, entered on November 30, 2010 [Docket No. 40].

PLEASE TAKE FURTHER NOTICE that this notice is being served by overnight mail upon (i) Ambac Financial Group, Inc., Attn: Stephen Ksenak, One State Street Plaza, New York, NY 10004; and (ii) Dewey & LeBoeuf LLP, Attn: Alexander J. Saffi, 1301 Avenue of the Americas, New York, NY 10019.

Dated: _____, 2011

Respectfully Submitted,

[Name]

Address: _____

Tel: _____

Fax: _____

E-mail: _____